GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:652
ANSWERED ON:03.12.2004
ECONOMIC GROWTH
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Will the Minister of FINANCE be pleased to state:

(a) whether Government is aware that the pace of economic growth in the country is far below the satisfactory level;

(b) if so, the details thereof together with the reasons for low economic growth; and

(c) the steps taken by the Government to accelerate the economic growth during the last six months?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (S.S. PALANIMANICKAM)

(a) & (b) India has registered real Gross Domestic Product (GDP) growth of 8.2 percent in 2003-04 and 7.4 percent in the first quarter of 2004-05. The Reserve Bank of India (RBI) in its Mid-Term Review of Annual Policy Statement for the year 2004-05 (October 26, 2004) has placed the growth in 2004-05 in the range of 6.0 to 6.5 percent. The expectation of lower growth in 2004-05 compared to the previous year is mainly on account of deficient rainfall and higher oil prices. Even then, India is likely to continue as one of the fastest growing economies of the world. However, Government is conscious of the need for realising higher growth rates to address the problems of poverty and unemployment.

(c) In June 2004, the Government announced a comprehensive policy aimed at increasing the flow of agricultural credit by 30 percent in 2004-05 and doubling the flow of credit in three years. The Fiscal Responsibility and Budget Management Act has been operationalised from July 5, 2004. The Budget for 2004-05 presented to the Parliament on July 8, 2004 proposed a number of measures to promote growth. These measures, inter alia, include higher allocations for the Accelerated Irrigation Benefit Programme, revival of Rural Infrastructure Development Fund, additional provision of Rs.10,000 crore of gross budgetary support to the Annual Plan and proposal to launch a scheme for repair, renovation and restoration of all water bodies linked to agriculture. Other proposals relate to setting up of an Investment Commission, National Manufacturing Competitiveness Council, raising of foreign direct investment (FDI) limits in certain sectors and removing the inadequacies in infrastructural facilities through a mix of policy and fiscal measures.